

# MISSION STATEMENT

The Bureau of State and Authority Finance will achieve and maintain market access, low-cost financing, and financial assistance for the citizens of Michigan on behalf of:

- Municipalities
- Healthcare providers
- Public, private, and charter schools
- Higher education
- College students for loans, scholarships and grants, and savings programs
- The state-at-large for environmental, recreational, and other specific voter-approved projects
- The state for cash flow financing for operating purposes

Tel: (517) 335-0994 Fax: (517) 241-9509  
[www.michigan.gov/bondfinance](http://www.michigan.gov/bondfinance)  
[www.michigan.gov/mistudentaid](http://www.michigan.gov/mistudentaid)

## *Bureau of* **State and Authority Finance**

Richard H. Austin Building  
430 West Allegan  
Lansing, MI 48922

## State Cash Management

Staff assists the State Treasurer with the management of the Common Cash Fund. The Common Cash Fund pools the combined cash balance of state funds until paid out as provided by law, including the General and School Aid Funds, but not certain trust funds and funds covering the operations of state authorities, colleges, and universities. Staff performs cash flow analysis and forecasting which enables the State Treasurer to make investment, payment, and borrowing decisions.

## State Debt Management

Staff assists the State Treasurer with administering the state's existing debt and recommends scheduling of new debt when authorized by the Legislature and the electorate. Staff, also assists state authorities and other departments with debt issuance, including the payment of debt service, compiling information for rating agencies, and reporting information needed to comply with federal tax laws pertaining to the issuance of tax-exempt debt.

## School Bond Qualification and Loan Program

The School Bond Qualification and Loan Program (SBQLP) was established by the Michigan Constitution of 1963 and subsequently amended by Public Act 92 of 2005 to provide a state credit enhancement and loan mechanism for school district bond issues. The State Treasurer must qualify the bonds, and the bond proceeds must be used for capital expenditure purposes.

Qualified bonds provide school districts with access to the state's credit rating, which will usually result in a lower interest rate and cost and the ability to borrow for the principal and interest requirements of outstanding qualified bonds (subject to a minimum debt millage).

## Fiscal Agent and Authority Trust

The Bureau of State and Authority Finance performs investment, cash management, accounting, and bond (registrar, transfer, paying and escrow agent, and lost bonds) services on behalf of the State Treasurer for various bond issues and public finance programs. This includes activities for the State General Obligation bonds and notes and various issuing authorities such as State Park Revenue Bonds, State Building Authority, the Michigan Finance Authority (MFA), the Michigan Education Trust (MET), and Department of Transportation escrow accounts.

## MFA Higher Education Student Loan Programs

MFA is the successor, per Executive Order 2010-2, to both the Michigan Higher Education Student Loan Authority (MHESLA) and the Michigan Higher Education Assistance Authority (MHEAA) and as such administers outstanding portfolios of loans made to students and parents for postsecondary education under federal and state education loan programs. MFA monitors contracted loan servicers for compliance with federal laws, rules, and regulations governing loans, and is responsible for required federal reporting and budgeting activities.

- **MFA, as the successor to MHESLA, participated as a lender in the Federal Family Education Loan Program (FFELP)** (Subsidized Federal Stafford Loan Program, Unsubsidized Federal Stafford Loan Program, Federal PLUS Loan Program, and Federal Consolidation Loan Program). Beginning June 30, 2010, no new loans were made by this lender under FFELP.
- **Michigan Alternative Student Loan (MI-LOAN®) Program** was a private student loan program for students attending Michigan degree-granting colleges and universities. This program helped students bridge the gap between college costs and traditional federal financial aid resources. The MI-LOAN Program has been suspended since February 2008.
- **Michigan Guaranty Agency (MGA)**, as the federally designated guarantor for the state of Michigan, provides guarantees (lender assurance against default) for student and parent loans for Michigan residents and students attending Michigan postsecondary educational institutions. MGA provides outreach services, including financial literacy training and borrower information aimed at postsecondary students. Beginning July 1, 2010, no new loans are guaranteed under FFELP.

## Other MFA Finance Activities

MFA performs finance activities, including issuing bonds and notes, as needed for:

- Tobacco Securitization
- Underground Storage Tank Cleanup
- Forest Finance
- Land Bank Fast Track
- Unemployment Trust Fund Obligation

## MFA Revolving Funds

**School Loan Revolving Fund (SLRF)** is intended to be a self-sustaining fund that makes loans to school districts to assist with making debt service payments on bonds issued through the School Bond Qualification and Loan Program.

- Loan repayment is deferred until the required debt millage yields enough to pay the district's debt service obligations.
- Money repaid by school districts is deposited back into the fund for debt service and for future loans.

**State Revolving Funds (SRF)** are jointly administered by MFA and the Michigan Department of Environmental Quality (DEQ) which determines qualified projects and annual funding priority.

- Clean Water Revolving Fund (CWRF) provides low-cost financing for municipal wastewater facilities.
- Drinking Water Revolving Fund (DWRF) provides low-cost financing for drinking water projects.
- Strategic Water Quality Initiatives Fund (SWQIF) provides financing for the removal of ground water or storm water from sewer leads that cannot qualify for CWRF assistance.

## MFA Pooled Loans

MFA pooled loan programs provide a cost-effective mechanism for individual borrowers to participate in a larger transaction to access the capital markets. Borrowers do not need a separate bond rating as MFA obtains a rating for each pooled financing.

- **Local Government Loan Program** provides competitive interest rates for three- to 30-year loans to public entities. Typically, tax-exempt bonds or installment purchase contracts are issued, although taxable and private activity bonds have been issued.
- **State Aid Note Programs** are streamlined loan programs to finance short-term operational cash flow needs for public schools. MFA facilitates the process by pooling the loans, soliciting bids, and obtaining the highest possible short-term rating, resulting in competitive interest rates and typically lower costs for the schools. State Aid Note loans are available for both traditional public schools and charter schools.
- **Healthcare Equipment Loan Program (HELP)** is a tax-exempt financing plan offering healthcare providers a low-cost alternative to conventional methods of borrowing for a variety of capital-related purposes.

## Scholarships and Grants

The Office of Scholarships and Grants (OSG) helps provide Michigan residents with access to and choice of higher education opportunities. OSG directs over \$100 million dollars toward students' college expenses each year.

The state General Fund supports two grant programs, with supplemental funding from a state income tax check box:

- **Children of Veterans' Tuition Grant (CVTG)** provides undergraduate tuition assistance to certain children of qualified veterans who meet Michigan residency requirements.
- **Police Officer's and Fire Fighter's Survivor Tuition Grant (STG)** provides a waiver of tuition at state institutions of higher education for children and surviving spouses of Michigan police officers and fire fighters killed in the line of duty.

Other state General Fund-supported programs are:

- **Michigan Competitive Scholarship (MCS)** provides renewable scholarships for students enrolled in approved degree-granting Michigan colleges and universities based on academic merit and financial need. The maximum award is determined annually by the Michigan Department of Treasury.
- **Michigan Tuition Grant (MTG)** provides grant assistance to needy students attending Michigan non-profit, independent colleges and universities. The maximum award is determined annually by the Michigan Department of Treasury.
- **Tuition Incentive Program (TIP)** is a high school completion program that pays for the first two years of college and beyond for eligible students. Eligible students are those who have or have had Medicaid coverage for 24 months within a 36-month period as identified by the Michigan Department of Human Services.
- **Michigan Merit Award (Merit)** -- eligibility for this award has now expired for all students unless they have served or are currently serving in the military. Students with a military extension may still collect their award through 2017.

Federal funds support the remaining Michigan scholarship and grant programs:

- **Robert C. Byrd Scholarship (Byrd)** merit-based program was designed to promote student excellence and achievement. This program currently provides a \$1,150 award in Fiscal Year 2012. This is the last year for the program, which was eliminated by the U.S. Congress.
- **GEAR UP Michigan!** provides scholarships to needy students from three urban public school systems: Detroit, Muskegon, and Flint. These awards utilize federal funds received as part of the GEAR UP Grant administered by the Michigan Department of Licensing and Regulatory Affairs. Scholarships are renewable for up to four years in an amount equal to Federal Pell Grant maximums.
- **GEAR UP College Day** provides scholarships to students who participated in programs developed by Michigan's 15 public universities. The scholarship maximum is \$5,550 and is renewable for five years.

## Higher Education Savings

Higher education savings programs are designed to protect families from rising tuition costs by providing flexible and affordable access to state institutions, and to encourage saving for the future cost of higher education to reduce the amount of debt students incur to graduate from college. Contributions to the plans are eligible for a state income tax deduction. Earnings grow tax-deferred and are tax-exempt if used for qualified higher education expenses at a qualified higher education institution.

- **Michigan Education Trust (MET)** is a Section 529 prepaid tuition plan that allows individuals or entities to pre-purchase undergraduate tuition costs. MET allows a state tax deduction of the total contract price.
- **Michigan Education Savings Program (MESP)** allows individuals or entities to open college savings investment accounts and is a Section 529 direct-sold program. MESP offers a state tax deduction up to \$5,000 for single tax filers (\$10,000 for joint tax filers). MESP accounts may be used for qualified higher education expenses.
- **MI 529 Advisor Plan (MAP)** allows individuals or entities to open college savings investment accounts and is a Section 529 advisor-sold program. MAP offers a state tax deduction up to \$5,000 for single tax filers (\$10,000 for joint tax filers). MAP accounts may be used for qualified higher education expenses.

## MFA Facility and Equipment Finance

MFA provides essential service providers with effective, low-cost options to finance the acquisition, construction, improvement or alteration of land, facilities, equipment, machinery, parking, the payment of project costs, or to refinance existing debt.

Participants include, but are not limited to:

- Private colleges and universities
- Public, private, and charter schools
- Healthcare providers
- Municipalities: cities, villages, townships, counties, commissions and authorities, and special purpose units

## Michigan Finance Authority

The Michigan Finance Authority (MFA) was established by Executive Order 2010-2 to improve efficiency in state government by consolidating the following ten public finance authorities:

- Municipal Bond Authority
- State Hospital Finance Authority
- Higher Education Facilities Authority
- Higher Education Assistance Authority
- Higher Education Student Loan Authority
- Public Educational Facilities Authority
- Tobacco Settlement Finance Authority
- Underground Storage Tank Financial Assurance Authority
- State Higher Education Facilities Commission
- Forest Finance Authority

Also transferred to MFA were:

- Authority of Michigan Strategic Fund to finance the facilities of public and private schools.
- Authority of the State Land Bank Fast Track Authority to issue bonds and notes.

## MFA Financial and Administrative Support Services

The Bureau of State and Authority Finance provides financial and administrative support services for MFA, which includes:

- Providing preliminary analysis and advice when borrowers are deciding among financing alternatives and credit enhancements.
- Confirming bond-pricing levels are appropriate.
- Expediting the financing process.
- Verifying that costs of issuance are appropriate.
- Issuing one series of bonds for multiple locations throughout the state of Michigan when needed.
- Offering assistance in the determination of eligibility of borrower and the project.
- Working with underwriters, financial advisors, and bond counsel to complete bond transactions in a cost-effective manner.
- Administering outstanding federal and state loan portfolios in compliance with federal laws, rules, and regulations to protect the portfolios' financial interest.
- Processing default claims, and/or collecting default payments for loans guaranteed by the Michigan Guaranty Agency, providing default prevention assistance to borrowers, and conducting financial literacy training for Michigan students.